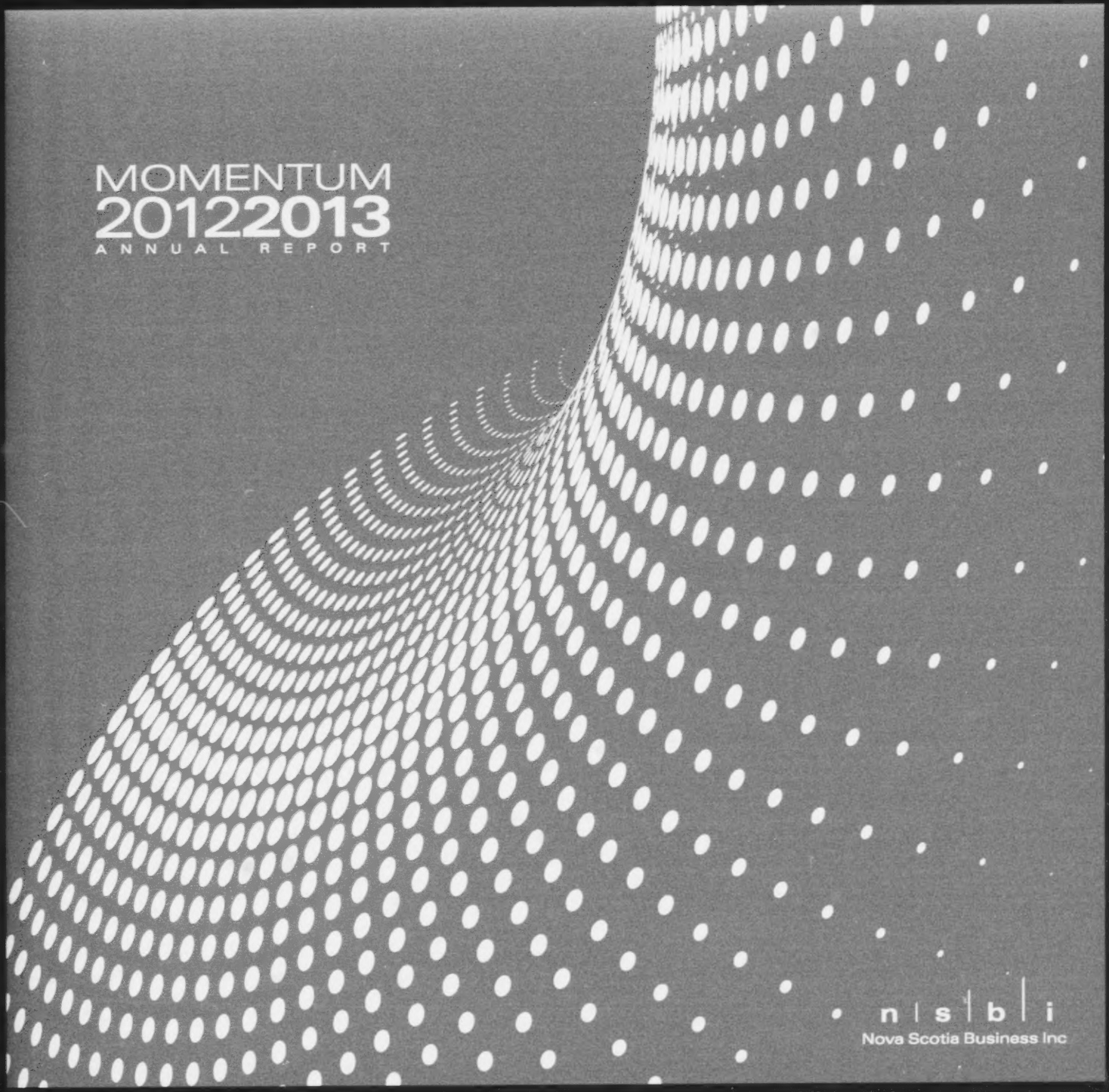
MOMENTUM
20122013
ANNUAL REPORT



nsbi
Nova Scotia Business Inc

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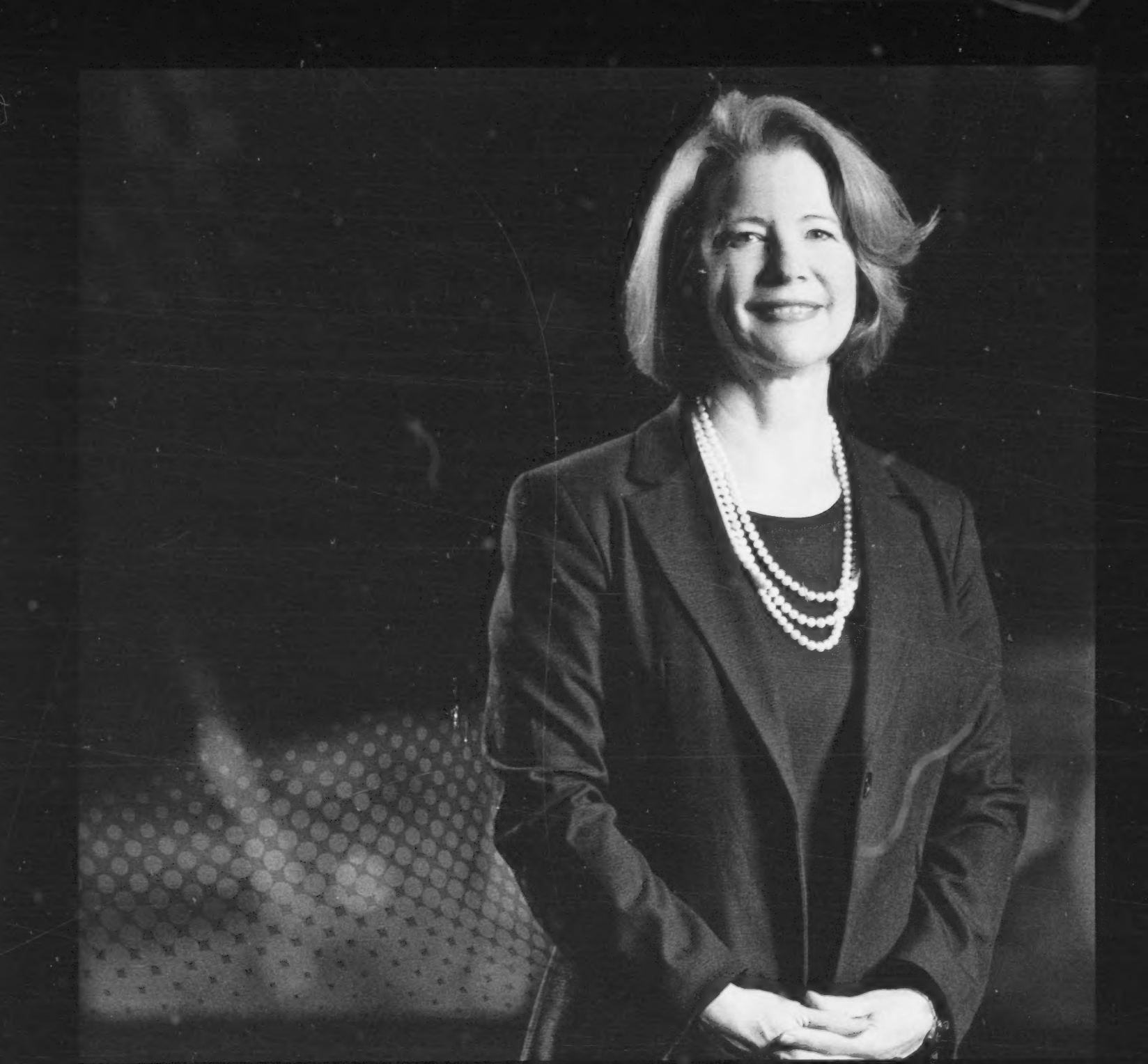


A MESSAGE FROM

CHAIR, NSBI BOARD OF DIRECTORS, JANICE STAIRS

New money coming into our economy is vital to our standard of living and the creation of opportunities for generations of Nova Scotians. New money through investment and trade helps drive economic growth.

Attracting new money through investment from national or international businesses is one of the key roles of NSBI. Another key role is helping businesses in Nova Scotia generate sales in export markets.

As the Investment and Project Activity section of this 2012-2013 annual report shows, companies from Halifax to Glace Bay, and from Goldboro to Shelburne worked with NSBI and used its tools and services in Trade, Investment Attraction, Venture Capital, and Business Financing.

Together, NSBI and its clients did business around the world in more than 50 countries. These clients are all highly productive. Many hire young graduates and immigrants, make investments in R&D, provide invaluable experience to Nova Scotians, and often invest more in training and professional development of employees. They help put Nova Scotia on the map internationally.

In a competitive global economy, we are fortunate that Nova Scotia is working with leading companies in many sectors, at home and abroad. These companies introduce new jobs into our labour market. These companies demonstrate to the world that Nova Scotia is a home for innovative business and a gateway to global opportunity.

NSBI BOARD OF DIRECTORS

Due diligence and adherence to rigorous corporate governance guide the action of NSBI's private-sector board. Comprised of respected business leaders from communities across Nova Scotia, the NSBI board of directors provides guidance and governance for NSBI's business activities.

Including committee meetings, members of the board met in 2012-2013 to:

- Oversee the corporate governance framework
- Review and approve quarterly and annual financial reports
- Oversee the strategic business planning process
- Identify and monitor major risks facing the corporation
- Monitor the integrity of the corporation's internal control systems
- Approve financial transactions within board limits

Janice Stairs Chair

(appointed director, September 2009)

- General Counsel, Namibia Rare Earths Inc.
- McInnes Cooper, Halifax Counsel
- NovaCopper Inc. (TSX:NYSE-AMEX), Board of Directors
- Halifax Grammar School, Board of Governors and Executive Committee, Past Member
- Nova Scotia District Council of Investment, Past Member

Ray Ivany Vice-Chair

(appointed December 2010)

- President & Vice-Chancellor, Acadia University, Wolfville
- Former President & CEO, Nova Scotia Community College
- Worker's Compensation Board of Nova Scotia, Former Chair
- Natural Sciences and Engineering Research Council of Canada, Council Member
- Nova Scotia Commission on Building our New Economy, Chair

Paul Belliveau FCA

(appointed February 2013)

- Principal, Belliveau Veinotte Inc., Bridgewater
- Bridgewater Development Association, Former Chair
- Lunenburg County Lifestyle Centre, Chair

Dan Christmas

(appointed June 2010)

- Senior Advisor, Membertou Band Council & Membertou Corporate Division, Membertou
- Member of the Premier's Council on the Economy
- Nova Scotia Commission on Building our New Economy, Commissioner

Simon d'Entremont

(appointed January 2012)

- Deputy Minister, Economic and Rural Development and Tourism
- Innovacorp, Board of Directors
- Trade Centre Limited, Board of Directors
- Nova Scotia Tourism Agency, Board of Directors
- Film and Creative Industries of Nova Scotia, Board of Directors

J.D. (Jim) Eisenhauer former Chair

(appointed director, January 2005; second term as director expired January 2013)

- President, ABCO Group Limited, Lunenburg
- Atlantic Industries Ltd., Board of Directors
- Composites Atlantic Ltd., Board of Directors
- Nova Scotia Power Inc., Board of Directors, Chair
- Emera Inc., Board of Directors

Bert Frizzell

(appointed September 2011)

- Vice Chairman, The Shaw Group, Halifax
- Acadia University, Board of Governors
- Heritage Gas, Board of Directors
- LED Roadway Lighting, Board of Directors
- CarbonCure Technologies Inc., Board of Directors
- Economic and Rural Development & Tourism Jobs Fund Board, Member

Cheryl Hodder QC

(appointed November 2012)

- Partner, McInnes Cooper, Halifax
- Film & Creative Industries Nova Scotia, Chair
- Nova Scotia Community College, Member Nominating Committee
- Canadian Institute of Corporate Directors, Maritime Chapter, Chair

Bert Lewis

(appointed November 2010)

- Business Development Manager, Mulgrave Machine Works Ltd., Mulgrave
- Former Principal, Nova Scotia Community College, Strait Area Campus
- Nova Scotia Hearing and Speech Centres, Board of Directors
- Celtic Colours International Festival, Board of Directors
- Strait Area Chamber of Commerce, Former President
- Economic and Rural Development & Tourism Jobs Fund Board, Member

Lois Dyer Mann

(appointed December 2007)

- Partner, Knightsbridge Robertson Surrette
- 2011 Canada Winter Games Host Society
- Halifax Chamber of Commerce, Former Chair
- IWK Health Centre Foundation, Former Trustee

Sean C. Murray

(appointed June 2007)

- President and CEO, Advocate Printing and Publishing Company Limited, Pictou
- Canadian Printing Industries Scholarship Trust Fund, Trustee
- Juvenile Diabetes Research Foundation Canada, Board of Directors
- Aberdeen Health Foundation, Board of Directors
- Centre for Family Business and Regional Prosperity, Dalhousie University, Advisory Board

Stuart Rath

(appointed March 2007)

- President and Director, Stuco Holdings Limited, Truro
- Truro Centre Limited, Vice President

Ronald E. Smith

(appointed May 2011)

- Former CFO, Maritime Tel & Tel Ltd.
- Former CFO, Emera Inc.
- Canada Pension Plan Investment, Former Director
- Acadia University, Board of Governors
- AuRico Gold Inc., Board of Directors
- Economic and Rural Development & Tourism Jobs Fund Board, Chair
- Public Service Superannuation Plan Trustee Inc., Chair

Nancy Tower

(appointed director, October 2004; second term as director expired October 2012)

- Executive Vice-President Business Development, and CEO, Emera Newfoundland and Labrador, Emera Inc., Halifax
- Atlantic Institute for Market Studies (AIMS), Board of Directors
- Advisory Council of the Dalhousie University Corporate Residency MBA Program, Member
- QEII Hospital Foundation Board of Trustees, Former Member
- CAA Maritimes, Former Chair
- Nova Scotia Institute of Chartered Accountants, Former President

Scott Travers

(appointed June 2009)

- President, DSquared Consulting
- Former President and COO, Minas Basin Pulp and PowerCompany Limited, Hantsport
- Newton Falls Fine Paper Company, LLC, Former Vice Chairman and President
- Crown Fibre Tube, Director
- Electrical Consumers Association of Nova Scotia, Founding Member
- Seaforth Energy, Board of Directors

COMMITTEES

The Audit, Human Resources, Governance and Investment Committees serve to assist the board in carrying out its responsibilities.

The Audit Committee oversees NSBI's financial reporting, assesses its internal controls and risk environment, and reviews the report prepared by the corporation's external auditor.

Audit Committee

Bert Frizzell, Chair
Dan Christmas
Cheryl Hodder
Paul Belliveau

The Human Resources Governance Committee ensures appropriate human resources management policies are in place, manages the recruitment process for new board members, and develops and oversees NSBI's corporate governance principles.

Human Resources Governance Committee

Lois Dyer Mann, Chair
Ray Ivany
Bert Lewis

The Investment Committee oversees NSBI's investment framework and policies, monitors the performance of the corporation's investment portfolio, and recommends financial transactions outside its approval limit to the full board for approval.

Investment Committee

Sean Murray, Chair
Stuart Rath
Scott Travers
Ron Smith
Bert Frizzell

2012-2013 INVESTMENT AND PROJECT ACTIVITY

ACTIVITY

2012-2013 INVESTMENT ATTRACTION STRATEGIC INVESTMENT FUND TRANSACTIONS AND PROJECTS

COMPANY	LOCATION	TOTAL $ AUTHORIZED
PAL Aerospace	HRM	$ 691,200
Xerox Canada Ltd.	HRM	$ 4,441,500
ADP	HRM	$ 2,301,600
Stream International Canada	CBRM	$ 2,593,050
IBM Canada Limited	HRM	$ 12,240,000
Projex	HRM	$ 11,387,250
CarbonCure Technologies	HRM	$ 336,000
MAN Diesel	HRM	$ 315,000
Pieridae Energy	Guysborough	Project Management
Frontier Developments	HRM	Project Management
Total:		**$ 34,305,600**

2012-2013 VENTURE CAPITAL NS FUND TRANSACTIONS

COMPANY	LOCATION	INVESTMENT
Origin BioMed	HRM	$ 350,000
Intelivote	HRM	$ 800,000
LED Roadway	Amherst	$ 1,000,000
Health Outcomes Worldwide	CBRM	$ 1,500,000
Total:		**$ 3,650,000**

2012-2013 BUSINESS FINANCE NS FUND AND STRATEGIC INVESTMENT FUND TRANSACTIONS

COMPANY	LOCATION	AMOUNT	TYPE
Rock Solid Composites Ltd.	Digby	$ 365,000	Loan
STI Technologies Ltd.	HRM	$ 750,000	Guarantee
Breton ND Testing	CBRM	$ 140,000	Loan
Stark Oil	Pictou	$ 1,021,000	Loan
Kenney & Ross Ltd.	Shelburne	$ 210,000	Loan
Focal Technologies	HRM	$ 1,040,000	Payroll Rebate
Total:		**$ 3,526,000**	

WHERE WE'VE WORKED DURING 2012-2013

Afghanistan	Cuba	Israel	Portugal	Sweden
Australia	Denmark	Jamaica	Puerto Rico	Switzerland
Austria	Dominica	Japan	Qatar	Tanzania
Bahamas	Dominican Republic	Jordan	Romania	Trinidad & Tobago
Barbados	Dubai	Kuwait	Russia	United Arab Emirates
Belgium	England	Latvia	Saint Lucia	Vietnam
Bermuda	Finland	Mexico	Saint Vincent & the Grenadines	Wales
Brazil	France	Netherlands	Saudi Arabia	
Chile	Germany	Norway	Scotland	*Plus 9 Canadian Provinces
China	India	Panama	South Africa	and 1 Territory
Colombia	Ireland	Poland	Spain	**Plus 23 of the 50 US States

WHERE OUR CLIENTS OPERATED DURING 2012-2013

Antigonish	Guysborough	Lunenburg	Victoria
Cape Breton Regional Municipality	Hants	Pictou	Yarmouth
Colchester	Halifax Regional Municipality	Queens	
Cumberland	Inverness	Richmond	
Digby	Kings	Shelburne	

MANAGEMENT DISCUSSION AND ANALYSIS

CONTEXT

NSBI is a public agency with a private sector-led Board of Directors. The management of NSBI has measured and analysed the agency's activities and performance for the fiscal year 2012-2013. This annual report is NSBI's yearly public accountability statement of the agency's performance against the goals it set through NSBI's approved annual business plan at the beginning of its fiscal year 2012-2013.

NSBI'S MANDATE

The "mandate of the Corporation" is considered to be the "object of the Corporation" as outlined in Section 15 of the NSBI Act, which states:

"The object of the Corporation is to promote economic development in the Province through

(a) business development, retention and expansion;

(b) the establishment of new businesses in the Province; and

(c) trade development and expansion

in accordance with strategic directions established by the Department and the strategic plan of the Corporation."

ECONOMIC CONTEXT IN 2012-2013

During this fiscal year, global economic uncertainty remained high with the European Union in recession. High debt levels, combined with slow growth, made it difficult for many countries to implement plans to re-establish fiscal balance. At the same time, the American economy showed signs of growth and the U.S. federal deficit came under some control; Japan instituted an aggressive economic stimulus policy; and the emerging economies continued to grow – all of which affect world economic patterns of trade, investment, and skilled-labour pools.

Nova Scotia companies remained reliant on the northeastern United States for export sales and business investment in 2012-2013. This region has been the mainstay of Nova Scotia's trading economy for generations. Approximately 75 percent of Nova Scotia's exports head to the US, with Europe a distant second. Nova Scotia and its companies need to become more internationally focused and explore more diverse markets in order to be competitive and successful in the future.

The ability to employ and retain youth and recent graduates is an integral component to grow Nova Scotia's economy. There were more than 43,000 students studying in Nova Scotia universities during 2011-2012, with another 25,000 enrolled at the Nova Scotia Community College. Many of Nova Scotia's students come from outside the province to study. Based on the Maritime Provinces Higher Education Commission's annual digest for 2012, 33 percent of students enrolled in Nova Scotia universities are from other provinces, with another 12 percent from outside Canada. A notable trend is the growth of international students — enrolment has increased a total of 147.4 percent over a 10-year period (estimated at 5,066 in 2010-2011).

HOW NSBI SUPPORTED BUSINESS DEVELOPMENT

Working within its mandate, its resources, and taking into account the economic realities around the world, NSBI helped Nova Scotia companies increase export sales and diversify markets. The agency has worked with partners across the province to attract outside investment and in-demand, higher-paying jobs to Nova Scotia. NSBI has leveraged the benefits of new investment so existing Nova Scotia businesses see benefits such as a greater climate for entrepreneurship, support for innovation, and increased productivity.

NSBI's Corporate Scorecard outlines 12 measures of success toward meeting the four goals of the agency: to attract and grow sustainable business investment; to enable growth of existing and new businesses through domestic and international opportunities; to help companies achieve their full potential by providing access to capital; and enhance value-added growth to existing and new businesses through access to capital. NSBI's work was more successful in meeting some of the agency's goals, than in others. Of the agency's 12 measures, NSBI exceeded eight.

CORPORATE SCORECARD

SUMMARY

GOAL	INDICATOR	MEASURE OF SUCCESS	FULL YEAR TARGET	YTD TARGET	YTD ACTUAL	PERFORMANCE INDICATOR
Attract and grow leading-edge, sustainable business investment	Client investment in Nova Scotia	# of projects committed by Investment Attraction clients	12	12	10*	☒
	Economic benefit to Nova Scotia	Average gross salary of new jobs forecasted to be created by Investment Attraction clients (2)	$45,000	$45,000	$57,603	☑
	Fiscally prudent financing	Forecasted average portfolio return on investments (ROI) utilizing Strategic Investment Funds (SIFs)(2)	40%	40%	54.9%	☑
Promote the growth of new and existing businesses in Nova Scotia by enabling them to succeed with business opportunities in export markets	New exports in Nova Scotia	# of new clients reporting their first export sale	10	10	46	☑
	Market penetration and diversification	# of clients introduced to new markets or further advanced in existing markets	325	325	501	☑
	Increased export sales	Client-reported actual and forecasted export sales (3)	$200,000,000	$200,000,000	$417,920,062	☑
Provide access to capital for promising Nova Scotia companies to help them acheive their full potential	Incremental equity investment	# of Venture Capital projects authorized (4)	3	3	4	☑
	Positive portfolio growth	Year over year portfolio valuation growth (4)	10%	10%	-1.1%	☒
	Positive return on investment to the province	# of new external strategic partnerships into NSBI's portfolio (5)	2	2	4	☑
Provide access to capital for new/existing businesses in Nova Scotia, with the intent of enhancing value-added growth for the province's economy	Incremental value investment projects	# of business financing projects authorized (6)	10	10	6	☒
	Increase export sales	Portfolio clients year over year export sales growth	5.0%	5.0%	5.1%	☑
	Partner for financing solutions	Leverage ratio of Partner/Client: NSBI	0.5 to 1.0	0.5 to 1.0	0.87	☑

NSBI 2012-2013 SCORECARD NOTES

* A total of 10 transactions have been identified within the scorecard. Eight transactions are payroll rebates and two are project management transactions (Frontier Developments and Pieridae Energy).

1. Average gross salary includes salary and benefits and is calculated using a weighted average.

2. ROI is calculated by ("Maximum forecasted direct tax recoveries " less "Maximum forecasted payroll rebate payout") divided by "Maximum forecasted payroll rebate payout".

3. Client-reported actual and forecasted export sales of $417 million relates to sales resulting from an NSBI-related trade program. Clients reported actual export sales signed at the time of the event of $3 million. Clients were contacted again six months following the event and reported $38.7 million incremental sales and forecasted an additional $376.1 million in sales for the following 18 months.

4. Portfolio growth is an internal calculation that compares the fair market value of Venture Capital investments as at March 31, 2012 to April 1, 2013, adjusting for any cash flows during the period.

5. External Strategic partnership, as stated in the 2012-2013 Business Plan as a "significant external investor to one of NSBI's portfolio companies" include partners who invest significantly into a NSBI portfolio company and partners, which create new opportunities such as access to new markets, new technological synergies, or supply chain access which have a significant positive impact on the portfolio company operation.

6. Target of ten established, which includes successful transactions with clients that have a positive net economic benefit to the province. A total of six transactions were completed, which consisted of five loans and one payroll rebate.

CORPORATE SCORECARD ANALYSIS

The weighted average salary of projected jobs among payroll rebate clients during 2012-2013 exceeded target. Overall, these clients pay higher salaries compared to the average in their communities and the overall Nova Scotia average. The portfolio of NSBI payroll rebate clients is projected to generate a return on investment of 54.9 percent.

Companies attracted to Nova Scotia are demonstrating that they are dependent on skilled labour and have chosen to locate or grow in Nova Scotia's two largest urban regional municipalities — Halifax Regional Municipality and Cape Breton Regional Municipality — where labour pools are concentrated. One exception is the Goldboro liquefied natural gas exporting terminal project in Guysborough, County.

Whereas most new companies to Nova Scotia choose to operate in urban centres in order to access the largest labour pool, NSBI's Venture Capital, Trade Development, and Business Financing tools and services have an important impact in the economic growth and development throughout Nova Scotia. These tools and services are often accessed by entrepreneurs and business owners who have chosen to operate where they live or where home-grown companies are already rooted. They are focused on growing national and international trade markets to help them achieve new sales and investment that result in jobs and spinoffs in their communities.

In the scorecard, the companies' achievement of trade-related sales shows another year-over-year positive momentum for Nova Scotia businesses' ability to get contracts in global markets. NSBI's Trade Development work since fiscal year 2009-2010 shows a 74 percent increase in the number of clients introduced to new markets or further advanced in existing markets using trade services delivered through NSBI.

In Venture Capital, the NSBI portfolio valuation growth from the 2012-2013 fiscal year is negative overall (at -1.1). NSBI's Venture Capital portfolio isn't alone in this and, in fact, fared better than the national trend. The Canadian Venture Capital Association's year-end 2012 performance data of the Canada-wide venture capital industry is also negative (at -7.7), measuring one year performance during 2012.

LOOKING AHEAD

The scorecard results show that trade-related sales and inward investment from international companies is happening in Nova Scotia. Almost four in 10 jobs in this province are dependent on international commerce. The value of our trade with other provinces and the rest of the world is more than the total income earned by Nova Scotians. International exports and imports alone equal, on average, about 54 percent of Nova Scotia's gross domestic product.

Because Nova Scotia has a small domestic market, our companies need to participate in the global economy to earn revenue, create jobs, find partners for growth, and increase the transfer of technology and knowledge.

Increasingly, international opportunities come from participating in the global value chains of multinational corporations. Nova Scotia imports almost $23 billion in goods and services. Many of them have value added before they are re-exported across the world. Participating in the value chains of strong global industries (e.g. automotive, energy, shipbuilding, and business services) helps create good jobs and steady growth in Nova Scotia companies.

Investment from national and multinational firms into Nova Scotia also plays a critical role in growing our economy. International companies generally export, are highly productive, create significant employment, and stimulate innovation. New investment transfers new skills and knowledge into our economy and experience with an international company helps shape a new generation of entrepreneurs.

The scorecard results of 2012-2013 indicate that new investment coming into the province continues to trend toward urban areas, particularly Halifax Regional Municipality. However on export sales, we see activity over a broader area: the scorecard results in 2012-2013 show export sales being recorded by both HRM-based and non HRM-based businesses.

We know that trade and investment help fuel overall economic drivers that spur entrepreneurism and innovation. This is a healthy cycle that reinforces the need for work that is already underway by NSBI, ERDT, ACOA, ECBC and partners to connect businesses throughout Nova Scotia into the on-site supply chains of national and multinational companies attracted here. Together we provide a stepping stone to Nova Scotia companies to supply bigger global value chains or to attract future investment. For example, Composites Atlantic Ltd is part-owned by the EADS Group, a multinational company based in France. Through this relationship, Composites Atlantic has been selling into national and international markets, particularly Europe, since 1988.

In the fiscal year 2013-2014 and beyond, we must work to capitalize on the benefits of upcoming projects as well as capitalize on the presence and growth of our knowledge-based, global companies.

- Nova Scotia has had the fastest growth in IT in Canada over the past five years. Top IT firms in the world are in Nova Scotia including: CGI, IBM, and NTT Data.
- Velsoft Training Materials is developing online programs for Microsoft and NASA.
- The Department of National Defence is projecting the first set of vessels under the National Shipbuilding Procurement Strategy ($30-billion contract for the Arctic Offshore Patrol Ships) will enter into production at Irving Shipyards in 2015.
- The Deep Panuke offshore natural gas project is scheduled to come online in 2013, providing a significant boost to natural gas production.
- Admiral Insurance, the biggest insurance company in the United Kingdom, has plans to grow its current staff of 400 to 800 in Nova Scotia.
- Frontier Developments — the largest independent games developer in the United Kingdom — set up shop in Nova Scotia with plans to grow its footprint in the future.
- The Nova Centre site preparation and excavation is underway in downtown Halifax with construction expected to begin in the spring of 2013. The official opening is planned for the end of 2015.
- In 2014, construction on the Maritime Transmission Link (as part of the Lower Churchill Project in Labrador) is scheduled to begin delivering power in 2017.
- Pieridae Energy Canada's Goldboro Liquefied Natural Gas (LNG) project will be an LNG export facility on Nova Scotia's eastern shore. The project is projected to create direct and indirect economic benefits for the local community, province, and region.
- A free trade agreement between Canada and the European Union continues to develop. Economists estimate this agreement would be a significant benefit to Canada, and the Atlantic Provinces in particular, resulting in a $12-billion increase in GDP.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

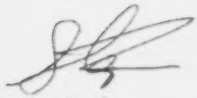
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

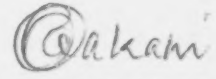
The Board of Directors are responsible for ensuring management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a monthly basis and external audited financial statements yearly.

The external auditors, Deloitte LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Nova Scotia Business Inc. and meet when required.

On behalf of Nova Scotia Business Inc.



Stephen Lund
President and Chief Executive Officer



Ferdinand Makani, MBA, CMA
Controller

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Nova Scotia Business Inc.

We have audited the accompanying financial statements of Nova Scotia Business Inc., which comprise the statement of financial position as at March 31, 2013, and the statements of operations and accumulated operating surplus, remeasurement gains and losses, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nova Scotia Business Inc. as at March 31, 2013 and the results of its operations, changes in net financial assets and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Comparative Figures Audited by Another Accountant

The financial statements as at March 31, 2012 and for the year then ended were audited by another accountant who expressed an unmodified opinion in their report dated June 28, 2012.

Deloitte LLP

Chartered Accountants, June 26, 2013
Halifax, Canada

statement of operations and changes in accumulated operating surplus

Year ended March 31, 2013 (in thousands of dollars)

	Budget (Unaudited)	2013	2012
REVENUE	$	$	$
Provincial			
Operating grant	**9,994**	**9,994**	10,308
Strategic investment grant	**15,563**	**8,744**	11,984
Loan valuation allowance grant	**2,017**	**2,017**	2,037
Miscellaneous	**382**	**966**	911
Interest on loans receivable	**6,633**	**4,084**	5,955
Other	**571**	**975**	656
Federal	**908**	**742**	781
Investment	**207**	**204**	436
Gain on sale of tangible capital assets	**467**	**26**	443
	36,743	**27,752**	33,512
EXPENSES			
Operating expenses (Schedule 1)	**11,513**	**11,888**	12,418
Transfer payments to the Province	**467**	**26**	1,429
Strategic investments	**15,563**	**8,744**	11,984
Provision for credit losses and payment of guarantees	**2,017**	**(2,934)**	6,450
Nova Scotia Business Fund: other expenses (Schedule 2)	**6,444**	**4,500**	5,779
	36,004	**22,225**	38,060
Annual operating surplus (deficit)	**738**	**5,527**	(4,548)
Accumulated operating surplus, beginning of year	**19,802**	**19,802**	24,350
ACCUMULATED OPERATING SURPLUS, END OF YEAR	**20,540**	**25,329**	**19,802**

statements of remeasurement gains and losses

Year ended March 31, 2013 (in thousands of dollars)

	2013	2012
	$	$
Accumulated remeasurement losses, beginning of year	**(1,540)**	(1,540)
Unrealized gains on portfolio investments	**2,708**	-
ACCUMULATED REMEASUREMENT GAINS AND (LOSSES), END OF YEAR	**1,168**	(1,540)

The accompanying notes are an integral part of these financial statements.

statement of changes in net financial assets

Year ended March 31, 2013 (in thousands of dollars)

	Budget (Unaudited)	2013	2012
	$	$	$
Annual operating surplus (deficit)	**738**	**5,527**	(4,548)
Change in tangible capital assets			
Amortization of tangible capital assets	**67**	**67**	73
Gain on sale of tangible capital assets	**(467)**	**(26)**	(443)
Proceeds on sale of tangible capital assets	-	**26**	1,468
Net change in tangible capital assets	**338**	**5,594**	(3,450)
Change in other non-financial assets			
Acquisitions of prepaid assets	-	**(54)**	(27)
Use of prepaid assets	-	**27**	38
Net change in other non-financial assets	-	**(27)**	11
Decrease (increase) in non-financial assets	**338**	**5,567**	(3,439)
Remeasurement increase arising during the year	-	**2,708**	-
Increase (decrease) in net financial assets	**338**	**8,275**	(3,439)
Net financial assets, beginning of year	**16,904**	**16,904**	20,343
NET FINANCIAL ASSETS, END OF YEAR	**17,242**	**25,179**	16,904

The accompanying notes are an integral part of these financial statements.

statements of financial position

As at March 31, 2013 (in thousands of dollars)

	2013	2012
FINANCIAL ASSETS	$	$
Cash and cash equivalents	**13,363**	16,335
Accrued interest receivable	**1,341**	1,156
Loan valuation allowance receivable (Note 1(j))	**11,454**	9,437
Other receivables	**1,075**	648
Due from the Province of Nova Scotia	**5,626**	6,711
Loans receivable (Note 2 and 6)	**36,980**	78,672
Equity investments (Note 3 and 6)	**37,967**	32,997
	107,806	**145,956**
LIABILITIES		
Accounts payable and accrued liabilities	**8,294**	9,332
Deferred revenue	**731**	571
Accrued interest payable	**516**	1,572
Employee benefits and other liabilities (Note 15)	**1,432**	1,394
Provision for payment of guarantees (Note 6)	**300**	300
Long-term debt due to the Province of Nova Scotia (Note 7 and Note 1(j))	**71,328**	114,454
Transfer payments payable to the Province of Nova Scotia	**26**	1,429
	82,627	129,052
Net financial assets	**25,179**	**16,904**
NON-FINANCIAL ASSETS		
Tangible capital assets – industrial parks and buildings (Note 4)	**1,264**	1,331
Prepaid expenses	54	27
	1,318	**1,358**
Contractual obligations (Note 9)	-	-
Contingencies (Note 10)	-	-
ACCUMULATED SURPLUS	**26,497**	**18,262**
Accumulated surplus is comprised of		
Accumulated operating surplus	**25,329**	19,802
Accumulated remeasurement gains/(losses)	**1,168**	(1,540)
	26,497	**18,262**

The accompanying notes to the financial statements are an integral part of this financial statement.

On behalf of the Board:

Director

Director

statements of cash flows

Year ended March 31, 2013 (in thousands of dollars)

	2013	2012
OPERATING TRANSACTIONS	**$**	$
Annual operating surplus (deficit)	**5,527**	(4,548)
Items not affecting cash and cash equivalents		
Amortization	**67**	73
Allowance for credit losses and provision for payment of guarantees	**(2,934)**	6,450
Capitalized interest on loans receivable	**747**	647
Gain on sale of tangible capital assets	**(26)**	(443)
Loan valuation allowance receivable	**(2,017)**	(2,037)
	1,364	142
Change in other (Note 13(b))	**(2,853)**	1,125
	(1,489)	1,267
Capital transaction		
Proceeds from sale of tangible capital assets	**26**	1,468
Investing transactions		
Loan advances	**(15,567)**	(5,090)
Principal received on loans	**60,380**	11,638
Redemption of equity investments	**-**	300
Equity investments	**(2,449)**	(7,066)
	42,364	(218)
Financing transactions		
New borrowings from the Province of Nova Scotia	**17,754**	11,322
Principal repayments to the Province of Nova Scotia	**(61,627)**	(7,640)
	(43,873)	3,682
(Decrease) increase in cash and cash equivalents	**(2,972)**	6,199
Cash and cash equivalents, beginning of year	**16,335**	10,136
CASH AND CASH EQUIVALENTS, END OF YEAR	**13,363**	16,335

The accompanying notes to the financial statements are an integral part of this financial statement.

notes to financial statements

March 31, 2013 (in thousands of dollars)

Nova Scotia Business Inc. (the "Corporation") is a corporation, wholly-owned by the Province of Nova Scotia with an independent Board of Directors. The Corporation was established pursuant to the Nova Scotia Business Incorporated Act, Chapter 30 of the acts of Nova Scotia, 2000. The Corporation's mission is to drive, through business development, a strong prosperous, and globally competitive Nova Scotia. The Corporation is not subject to provincial or federal taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting:

The financial statements of the Corporation have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as established by the Public Sector Accounting Board ("PSAB") which the Corporation adopted on April 1, 2011.

The Corporation follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods and services and/or the creation of a legal obligation to pay.

(b) Cash and cash equivalents:

Cash includes petty cash and amounts on deposit with financial institutions. Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition. All are measured at fair market value.

(c) Loans receivable:

Loans receivable are recognized at amortized cost using the effective interest rate method. Loans receivable are classified as impaired when, in the opinion of management, there is reasonable doubt as to the timely collection of the full amount of principal and interest. A specific valuation allowance is established to reduce the recorded value of the impaired loan to its estimated net recoverable value.

A general allowance of 5% of cost is recorded to reflect anticipated future losses for all loans receivable which do not have a specific allowance.

Initial and subsequent changes in the amount of valuation allowance are recorded as a charge or credit to the statement of operations.

Loans receivable are written off after all reasonable restructuring and collection activities have taken place, and management believes there is no realistic prospect of recovery. Once all or a part of a loan receivable has been written off, the write-off is not reversed, unless the loan receivable is recovered, in which case the recovery is credited to the statement of operations upon receipt.

(d) Equity investments:

Equity investments in publicly traded companies are recorded at fair value using quoted prices in an active market with unrealized gains and losses being recognized in the statement of remeasurement gains and losses.

Investments in equity instruments of private enterprises are carried at cost with realized gains and losses recognized in the statement of operations in the period they are derecognized.

Investments in equity instruments of private enterprises are classified as impaired when, in the opinion of management, there has been a loss in the value of the equity instruments that is other than a temporary decline. A specific valuation allowance is established to reduce the recorded value of the impaired investments to their estimated net recoverable value.

A general allowance of 10% of cost is recorded to reflect anticipated future losses for all investments in private enterprises receivable which do not have a specific allowance.

The investments are reviewed twice yearly for potential declines in value.

A write-down of an investment to reflect a loss in value is not reversed if there is a subsequent increase in value.

(e) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets – industrial parks and buildings:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of asset. The costs, less residual value, of the tangible capital assets, excluding land, are amortized over their estimated useful lives as follows:

ASSET	BASIS	RATE
Buildings	Declining balance	5%
Wharves	Declining balance	5%
Utilities	Declining balance	4 - 15%

Assets not in use are not amortized.

The Department of Transportation and Infrastructure Renewal has operational responsibility for the industrial parks and buildings. Certain revenues and expenses associated with the operation of the industrial parks and buildings are accounted for by the Department of Transportation and Infrastructure Renewal and are not reflected in these financial statements.

Proceeds from the sale of assets less closing costs are remitted to the Province of Nova Scotia in the form of transfer payments. In current year, the transfer payments payable to the Province of Nova Scotia was $26 (2012 - $1,429).

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also recorded as revenue.

(f) Other assets:

Other assets consist of property acquired through foreclosure. Other assets are recorded at cost less a general allowance for the credit losses equal to 5% of cost. A specific allowance is recorded if management considers it necessary to reduce the asset to its estimated recoverable amount.

(g) Due to the Province of Nova Scotia:

Amounts due to the Province of Nova Scotia which are comprised of long-term-debt are recorded at amortized cost.

(h) Government transfers:

Government transfers are recognized in the financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. The transfer payments recorded by the Corporation are flow- through arrangements of proceeds from the sale of crown assets which the Corporation administers and are remitted to the Province of Nova Scotia. The Public Sector Accounting Board Section PS 3410 - Government Transfers which became effective for fiscal years beginning on or after April 1, 2012 does not impact current treatment of transfers recorded by the Corporation; this section does not deal with this type of transfers.

(i) Revenue recognition:

(i) Government contributions are recognized as revenue in the period the transfer is authorized, and all eligibility criteria have been met, except when and to the extent the transfer includes stipulations which have not yet been met.

Government contributions with stipulations are initially deferred and recognized as revenue as the related stipulations are met. Stipulations associated with the acquisition of tangible capital assets are considered to be met as the assets are used for their intended purpose.

(a) Operating grants have no criteria or stipulations and the Corporation recognizes revenue once it has been received.

(b) Strategic investment grants are recognized when expenditure is recorded in accordance with the Corporation's approved budget and shall be provided in accordance with policies and procedures set out in the Corporation's business plan.

(c) Loan valuation grant is provided by the Province of Nova Scotia to offset the provision for credit losses and payment of guarantees.

(d) Miscellaneous consists of various contracts for trade programs. Revenue is recognized in the period the transfer is authorized, and all eligibility criteria have been met, except when and to the extent the transfer includes stipulations which have not yet been met.

(ii) Interest revenue on the loans receivable is recognized on an accrual basis unless the ultimate collectability of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized, and any interest income that is accrued is reversed. A loan is considered impaired when there is risk of loss to the Corporation of the full and timely collection of principal and interest; generally, when it is more than three months in arrears. In the event a loan is no longer considered to be impaired, interest revenue is recognized in the year of recovery.

(j) Allowance for credit losses and payment of guarantees:

The allowance for credit losses is partially offset by a non-cash loan valuation allowance contribution from the Province of Nova Scotia. The contribution is recorded as both a receivable and revenue. On the Corporation's books, in prior years, the receivable was recorded as a contra account against the long-term debt payable to the Province. However, in the current year, it is recorded and disclosed as a separate asset account.

(k) Employee future benefits:

(i) The Corporation provides certain employee benefits which will require funding in future periods. These benefits include vacation pay and public service awards. Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of twenty-six years. Management recognizes compensation expense on an accrual basis; actuarial assessment is carried out after every three years; the next one is due in 2014 fiscal year.

(ii) Permanent employees of the Corporation participate in the Public Superannuation Fund (the "Plan"), a contributory defined benefit pension plan administered by the Province of Nova Scotia, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. The costs of the employer pension benefits are the Corporation's contributions due to the Plan in the period. The Corporation is not responsible for any under-funded liability, nor does the Corporation have any access to any surplus that may arise in this Plan.

(l) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates included in the financial statements relate to the valuation of the loan receivables and equity investments. Actual results could differ materially from these estimates.

(m) Future accounting pronouncements:

Government transfers: PSAS 3410 establishes standards on how to account for and report government transfers to individuals, organizations and other governments from both a transferring government and a recipient government perspective.

(n) Impairment of long-lived assets:

Long-lived assets, such as property and equipment are tested for recoverability whenever events or changes in circumstances indicate that their carrying value exceeds the total undiscounted cash flows expected from the use and eventual disposition of the item. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value at the date of the impairment.

2. LOANS RECEIVABLE

	2013	2012
	$	$
Principal due	**60,185**	116,344
Allowance for credit losses (Note 6)	**(23,205)**	(37,672)
	36,980	78,672

Interest charged on these loans ranges from 0% to 20%. Repayment terms are negotiated on specific loans and would normally not exceed 20 years. The level of security on loans is also negotiated between the Corporation and the debtor based on the risk attached to the individual loan. The security can include life insurance, company assets, personal guarantees or the value of the parent company. Security can range from unsecured position to a fully secured position.

3. EQUITY INVESTMENTS

	2013	2012
	$	$
Common shares	**14,998**	14,168
Preferred shares	**27,914**	27,914
Convertible debentures	**6,450**	5,161
	49,362	47,243
Allowance for credit losses (Note 6)	**11,395**	14,246
	37,967	32,997

Certain preferred shares have conversion options and warrants attached.

4. TANGIBLE CAPITAL ASSETS

	Cost	Accumulated Amortization	2013 Net Book Value	2012 Net Book Value
	$	$	$	$
Land	**107**	-	**107**	107
Buildings	**873**	**630**	**243**	255
Wharves	**1,752**	**1,129**	**623**	656
Utilities	**458**	**167**	**291**	313
	3,190	**1,926**	**1,264**	1,331

5. OTHER ASSETS

	2013	2012
	$	$
Property acquired through foreclosure, at cost	**820**	820
Less: allowance for credit losses (Note 6)	**820**	820
	-	-

6. ALLOWANCE FOR CREDIT LOSSES AND PAYMENT OF GUARANTEES

2013	Gross Balance Outstanding	Specific Allowance	General Allowance	Total Allowance	Net Balance Outstanding
	$	$	$	$	$
Loans receivable (Note 2)	60,185	21,470	1,735	23,205	36,980
Equity investments (Note 3)	49,362	8,162	3,233	11,395	37,967
Guarantees (Note 10)	300	-	300	300	-
Other assets (Note 5)	820	820	-	820	-
	110,667	30,452	5,268	35,720	74,947

2012	Gross Balance Outstanding	Specific Allowance	General Allowance	Total Allowance	Net Balance Outstanding
	$	$	$	$	$
Loans receivable (Note 2)	116,344	33,855	3,817	37,672	78,672
Equity investments (Note 3)	47,243	11,398	2,848	14,246	32,997
Guarantees (Note 10)	300	300	-	300	-
Other assets (Note 5)	820	820	-	820	-
	164,707	46,373	6,665	53,038	111,669

During the year, loans receivable and equity investments in the amount of $14,385 (2012 - $1,568) were written off.

7. LONG-TERM DEBT DUE TO PROVINCE OF NOVA SCOTIA

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

			2013	2012
	Fiscal Year of Maturity	Weighted average Interest rate	Principal Outstanding	Principal Outstanding
		%	$	$
Note payable 2002-01 (Note 1(j))	-	-	1,938	23,295
Note payable 2002-02	2022	6.22	-	28,216
Note payable 2003-04	2014	5.29	-	279
Note payable 2004-01	2017	4.61	419	653
Note payable 2004-02	2015	4.18	1,900	2,606
Note payable 2005-02	2014	3.8	21	99
Note payable 2006-01	2027	5.09	1,213	1,355
Note payable 2006-02	2027	4.98	1,555	1,731

(continued)

7. LONG-TERM DEBT DUE TO PROVINCE OF NOVA SCOTIA

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

	Fiscal Year of Maturity	Weighted average Interest rate	2013 Principal Outstanding	2012 Principal Outstanding
		%	$	$
Note payable 2006-03	2027	4.86	2,522	2,807
Note payable 2006-04	2027	4.94	1,741	1,938
Note payable 2007-01	2027	5.11	785	873
Note payable 2007-02	2027	4.89	795	885
Note payable 2007-03	2027	4.97	339	377
Note payable 2007-04	2027	5.01	65	72
Note payable 2007-05	2027	5.38	1,132	1,260
Note payable 2007-06	2027	5.58	118	131
Note payable 2008-01	2017	4.02	551	746
Note payable 2008-02 to 2008-13	2012-2017	0.99-5.15	1,950	2,497
Note payable 2009-01 & 2009-06	2012	1.6	176	464
Note payable 2009-02	2027	3.16	728	809
Note payable 2009-03 & 2009-05	2014	2.2	1,075	1,613
Note payable 2009-04	2013	2.11	100	190
Note payable 2009-07	2014	2.52	78	278
Note payable 2009-08	2015	4.09	788	963
Note payable 2009-09	2013	1.75	87	147
Note payable 2009-10	2015	3.18	6,586	6,383
Note payable 2009-11	2015	3.18	807	782
Note payable 2009-12	2015	3.18	1,109	1,075
Note payable 2009-13	2015	3.17	305	295
Note payable 2009-14	2015	2.92	263	321
Note payable 2009-15	2015	3.16	165	160
Note payable 2009-16	2015	3.15	1,257	1,218
Note payable 2009-17	2015	3.35	221	214
Note payable 2009-18	2012	2.8	40	263
Note payable 2010-01	2014	1.94	135	203
Note payable 2010-02	2016	3.67	278	268
Note payable 2010-03	2016	2.39	83	117
Note payable 2010-04	2016	3.63	333	321
Note payable 2010-05	2014	3.17	83	133
Note payable 2010-06	2016	3.45	220	213
Note payable 2010-07	2016	3.45	551	532
Note payable 2010-08	2013	2.05	13	88
Note payable 2010-09	2016	3.16	68	66
Note payable 2010-10	2016	3.17	92	90

(continued)

7. LONG-TERM DEBT DUE TO PROVINCE OF NOVA SCOTIA (continued)

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

	Fiscal Year of Maturity	Weighted average Interest rate	2013 Principal Outstanding	2012 Principal Outstanding
		%	$	$
Note payable 2010-11	2015	2.28	18	25
Note payable 2010-12	2015	2.35	304	350
Note payable 2010-13	2016	2.94	29	28
Note payable 2010-14	2013	1.77	68	102
Note payable 2010-15	2016	2.57	586	571
Note payable 2010-16	2014	2.05	1,052	1,031
Note payable 2010-17	2014	2.21	697	800
Note payable 2010-18	2013	1.91	31	150
Note payable 2010-19	2016	2.57	1,575	1,536
Note payable 2010-20	2016	2.17	44	70
Note payable 2010-21	2016	2.57	443	550
Note payable 2010-22	2014	2.56	530	517
Note payable 2010-23	2014	2.09	1,214	1,579
Note payable 2010-24	2021	3.35	-	5,000
Note payable 2010-25	2014	2.6	529	515
Note payable 2010-26	2014	2.44	133	193
Note payable 2010-27	2016	2.94	540	524
Note payable 2010-28	2012	1.69	133	183
Note payable 2010-29	2016	2.7	90	99
Note payable 2010-30	2016	3.28	535	518
Note payable 2010-31	2013	0.02	6	8
Note payable 2010-32	2013	1.88	550	901
Note payable 2010-33	2014	2.15	500	725
Note payable 2011-01	2014	2.04	305	390
Note payable 2011-02	2013	2.15	59	80
Note payable 2011-03	2016	2.78	46	50
Note payable 2011-04	2014	1.7	34	50
Note payable 2011-05	2017	2.82	4,202	4,087
Note payable 2011-06	2017	2.65	2,073	2,020
Note payable 2011-07	2014	1.58	1,538	1,514
Note payable 2011-08	2016	1.75	187	250
Note payable 2011-09	2017	2.43	883	862
Note payable 2011-10	2015	1.46	865	950
Note payable 2011-11	2013	1.19	22	29
Note payable 2011-12	2017	1.53	41	50
Note payable 2011-13	2013	1.28	250	250

(continued)

7. LONG-TERM DEBT DUE TO PROVINCE OF NOVA SCOTIA (continued)

(a) Notes payable to the Province of Nova Scotia are comprised of the following:

	Fiscal Year of Maturity	Weighted average Interest rate	2013 Principal Outstanding	2012 Principal Outstanding
		%	$	$
Note payable 2011-14	2014	1.38	163	200
Note payable 2011-15	2013	1.24	103	121
Note payable 2011-16	2014	1.71	254	250
Note payable 2011-17	2017	2.14	293	300
Note payable 2012-01	2017	1.72	427	-
Note payable 2012-02	2014	1.24	38	-
Note payable 2012-03	2018	2.14	407	-
Note payable 2012-04	2015	1.63	253	-
Note payable 2012-05	2016	1.54	1,577	-
Note payable 2012-06	2014	1.34	2,000	-
Note payable 2012-07	2016	1.82	1,236	-
Note payable 2012-08	2016	1.72	1,535	-
Note payable 2012-09	2016	1.56	1,292	-
Note payable 2012-10	2016	1.6	887	-
Note payable 2012-11	2016	1.68	1,039	-
Note payable 2012-12	2017	1.62	300	-
Note payable 2012-13	2016	1.67	750	-
Note payable 2012-14	2016	1.67	921	-
Note payable 2012-15	2014	1.29	502	-
Note payable 2012-16	2016	1.78	352	-
Note payable 2012-17	2016	1.75	1,080	-
Note payable 2012-18	2018	2.27	1,004	-
Note payable 2012-19	2018	2.38	501	-
Note payable 2012-20	2018	2.31	202	-
Note payable 2012-21	2016	1.54	1,415	-
			71,328	114,454

Note payable 2002-01 in the amount of $1,938 (2012 - $23,295) has no set terms of repayments with the Province of Nova Scotia. The principal for this is repayable to the Province when the principal is collected from the loans that are funded by this note. In addition, 80% of the interest received or capitalized on the underlying loans is repayable to the Province.

The remaining notes are repayable in quarterly installments of principal and interest based on maturity dates and rates set as above.

(b) Principal repayments on the remaining notes excluding for note 2002-01 are as follows:

	$
2014	15,049
2015	16,964
2016	8,086
2017	18,649
2018	3,305
Thereafter	7,337
	69,390

Future scheduled interest capitalization amounts ($1,895) on certain existing notes payable are excluded in the above repayment amounts.

The total interest paid or became payable during the year and recorded in the statement of operations was $3852 (2012 - $5,480).

8. SHARE CAPITAL

The Corporation is authorized to issue 100 Class A common shares with a par value of $1 each. At year-end, 100 common shares have been issued to the Province.

9. CONTRACTUAL OBLIGATIONS

(a) The Corporation has approved financing of $9,560 (2012 - $22,289) that is undisbursed at year-end.

(b) The Corporation administers strategic investments on behalf of the Province of Nova Scotia that permit approved businesses to receive a percentage of payroll taxes paid as a rebate. Expenses incurred by the Corporation are match-funded by the province of Nova Scotia in the form of a Strategic Investment Grant.

As at March 31, 2013, transactions were approved with maximum annual payments over the next eight years of $92.2 million (2012 - $77.9 million) as shown below:

2014	21,118
2015	16,353
2016	15,531
2017	14,598
2018	10,704
2019	6,312
2020	5,232
2021	2,400

10. CONTINGENCIES

(a) Guarantees:

	Authorized	**Utilized 2013**	Utilized 2012
	$	**$**	$
Bank loans	**1,050**	**300**	300
Less: provision for payment (Note 6)	-	**300**	300
	1,050	-	-

The above are guarantees of lines of credit and one of these will expire in 2013.

The guarantees are secured by life insurance, promissory notes and proceeds from liquidation are expected to offset any possible payments under guarantees.

(b) Litigation

The Corporation is co-defender with the Province of Nova Scotia and Industrial Estates Limited in a dispute regarding environmental contamination on land previously owned by Industrial Estates Limited. It is assumed that any losses incurred related to this claim will be fully funded by the Province of Nova Scotia.

The Corporation is unable to form an opinion in regard to the likelihood of loss arising from the above litigation. Consequently, no provision for any possible loss has been recorded in these financial statements.

In addition, there are other outstanding claims against the Corporation for events that have arisen in the normal course of carrying on the operations of the Corporation. It is not possible at this time to determine the amount that may be assessed, or the impact to the Corporation's financial statements, with respect to these claims.

(c) The Corporation completed a transfer agreement with the Municipality of the County of Colchester in fiscal 2008, which included a water system. The system has undergone GUDI (Groundwater under the Direct Influence of Surface Water) testing. Of the three wells tested, two were non-GUDI. As a result of the third well being determined as GUDI, the Corporation contributed additional funds ($100) to be used for the water treatment in 2012 thereby discharging itself from any potential liability arising from this matter.

11. FINANCIAL INSTRUMENTS

(a) Fair value

Equity investments in publicly-traded companies in the amount of $4,168 (2012 - $1, 460) are recorded at fair market value, which represents the last bid price for the stock on the stock exchange.

Fair value measurements in connection with the allowance for credit losses recognized in Notes 2 and 3 are categorized using the fair value hierarchy that reflects the significance of inputs used in determining the fair values:

- Level 1 - unadjusted quoted prices in the active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3 - inputs for assets and liabilities that are not based on observable market data.

Cash and cash equivalency and the portfolio investments in equity investments traded in active markets have been recorded as Level 1 using the fair value hierarchy.

(b) Associated risks

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The Corporation's Nova Scotia Business Fund assets are primarily exposed to credit, interest rate market price and liquidity risk.

(i) Credit risk:

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Corporation. To mitigate this risk, the Corporation has developed the following policies:

Before financing is approved, a risk assessment is performed on the client. Each application is designated a risk rating based on the industry and business, quality of management, financial history and projections, the level of other creditor involvement and shareholder participation, and environmental risks. The terms and conditions of the approved financing are reflective of the assessed risk. Applications with unacceptable levels of risk are not approved.

Clients are usually limited to a total of $15 million in financing from the Corporation's Nova Scotia Business Fund. Three clients have exceeded this total in the past; two were approved in the Nova Scotia Business Development Corporation Fund and transferred to the Nova Scotia Business Fund via legislation on November 6, 2001. The outstanding amounts for both these clients were paid out in current year (2012 - $32,972 and $20,292). A third client, currently has an outstanding balance of $11,316 which is now below the $15,000 financing limit threshold (2012 - $12,318).

In fiscal 2011, financing to a new client in the amount of $15,100 was authorized and $11,734 was disbursed in current year leaving authorized but unadvanced funding in the amount of $3,366.

The risk rating for all clients is monitored on an on-going basis. Clients identified as higher risk are further assessed at year end to determine the extent of potential loss, taking into account the value of the security pledged in support of the financial assistance. This assessment could result in a reduction in the carrying value of the investment via the provision for credit losses.

(ii) Interest risk:

Interest rate risk is the risk that the market value of the Corporation's investments and debt will fluctuate due to changes in the market interest rates. Interest rate risk is mitigated due to the fact that the Corporation matches the repayment timing of amounts borrowed with the repayment timing of financing advanced as closely as practical. It is management's opinion that the Corporation is not exposed to significant interest rate risk arising from financial instruments.

(iii) Market price risk:

Market price risk is the risk that the value of an investment will fluctuate as a result of changes in the market prices, whether those changes are caused by factors specific to the individual financial instrument, its issuer or factors affecting similar financial instruments traded in the market. At year-end, the Corporation held $4,168 (2012 - $1,460) in publicly traded equities. As these equities are carried at fair value with the fair value changes recognized in the statement of remeasurement gains and losses, all changes in the market conditions will directly result in an increase (decrease) of accumulated remeasurement gains (losses).

(iv) Liquidity risk:

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity requirements are managed through the receipt of provincial grants, income generated from loans receivable and equity investments, and principal repayments received on loans receivable. These sources of funds are used to pay operating expenses and debt servicing payments to the Province of Nova Scotia. In the normal course of business the Corporation enters into contracts that give rise to commitments for future payments which also impact the Corporation's liquidity. The Corporation also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities.

The following table summarizes the fixed contractual maturities for all financial liabilities as at March 31, 2013:

					2013	2012
	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	Total	Total
	$	$	$	$	$	$
Accounts payable and accrued liabilities	8,294	-	-	-	8,294	9,331
Accrued interest payable	516	-	-	-	516	1,572
Employee benefits and other liabilities	680	204	255	293	1,432	1,394
Transfer payments payable to the Province	26	-	-	-	26	1,429
Deferred revenue	608	123	-	-	731	571
Provision for payment of guarantees	300	-	-	-	300	300
Long-term debt due to the Province	15,049	47,004	7,337	-	69,390	91,159
	25,473	47,331	7,592	293	80,689	105,756

12. NOVA SCOTIA BUSINESS FUND

The Nova Scotia Business Fund (the "Fund") is comprised of investments approved under the direction and management of Nova Scotia Business Incorporated ("NSBI") and investments transferred from the Nova Scotia Business Development Corporation Fund ("NSBDC") on November 6, 2001. The following is a summary of the Fund as at March 31, 2013:

					2013	2012
	NSBI Portfolio		NSBDC Portfolio			
March 31, 2013	**Gross**	**Less allowance for credit losses**	**Gross**	**Less allowance for credit losses**	**Net Total**	Net Total
	$	$	$	$	$	$
Assets:						
Loans receivable	**37,148**	**8,622**	**23,037**	**14,583**	**36,980**	78,672
Equity investments	**48,891**	**10,924**	**471**	**471**	**37,967**	32,997
Industrial parks & buildings	**-**	**-**	**1,264**	**-**	**1,264**	1,331
Other assets	**-**	**-**	**820**	**820**	**-**	-
Guarantees	**300**	**300**	**-**	**-**	**-**	-
Financing authorized but unadvanced	**9,560**	**-**	**-**	**-**	**9,560**	22,289
	95,899	**19,846**	**25,592**	**15,874**	**85,771**	135,289
Funding authorized and committed						
Fund balance authorized, net of write-offs					**225,540**	239,925
Less: uncommitted balance of fund					**104,049**	51,598
Committed fund balance					**121,491**	188,327
Less: allowance for credit losses						
and provision for payment of guarantees (Note 6)					**35,720**	53,038
					85,771	135,289

13. SUPPLEMENTARY CASH INFORMATION

a) Cash and cash equivalents include:

	2013	2012
	$	$
Cash	12,963	15,935
Short-term investments	400	400
	13,363	16,335

b) Changes in other:

	2012	2011
Accrued interest receivable	(185)	(333)
Other receivables	(427)	32
Due from the Province of Nova Scotia	1,085	1,986
Accounts payable and accrued liabilities	(1,038)	(1,795)
Accrued interest payable	(1,056)	764
Employee benefits and other liabilities	38	43
Transfer payments payable to the Province of Nova Scotia	(1,403)	462
Deferred revenue	160	(45)
Prepaid expenses	(27)	11
	(2,853)	1,125

c) During the year, cash received for interest income was $4,093 (2012 - $5,831) and cash paid for interest was $4,162 (2012 - $4,068).

Non-cash investing activities	2013	2012
	$	$
Equity market adjustments recorded as accumulated remeasurement gains	-	-
Conversion of convertible debentures to equity investments	-	2,000
Conversion of accrued interest to equity investments	-	1,353

14. RELATED PARTY TRANSACTIONS

During the year, payroll rebates in the amount of $32 (2012 - $Nil) were awarded to companies which were controlled or otherwise not independent of certain directors of Nova Scotia Business Inc.

As at year-end, the total amount outstanding including current year balances to companies that were controlled or otherwise not independent of certain directors of Nova Scotia Business Inc. was $23,409 (2012 - $16,781) for financial assistance. These have only the 5% and 10% general reserve recorded against them. Furthermore, payroll rebates were in the amount of $498 (2012 - $162).

The Corporation occupies premises for which no rental fee is charged by the Province of Nova Scotia. Management estimates the annual cost to lease the premises is approximately $680 (2012 - $674). This amount has not be recorded in the Corporation's financial statements.

The Corporation receives legal services for which no fee is charged by the Province of Nova Scotia. Management estimates the annual cost of these services is approximately $286 (2012 - $286). This amount has not be recorded in the Corporation's financial statements.

These transactions were carried out in the normal course of operations and on terms and conditions that would be similar to those of non-related parties.

15. EMPLOYEE BENEFITS, POST-RETIREMENT BENEFITS AND OTHER LIABILITIES

a) The employee benefits, post-retirement benefits and other liabilities, reported on the statement of financial position, are made up of the following:

	2013	2012
	$	$
Public service awards	**585**	511
Vacation pay	**218**	201
Other payroll accruals	**629**	682
	1,432	1,394

b) Pension benefits:

All full-time employees are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act based on the employee's length of service and earnings. The plan is funded by the employee and the employer contributions. The employer's contributions for 2013 were $501 (2012 - $524) and are recognized as an operating expense in the year. The Public service Superannuation Fund is administered by the Province of Nova Scotia and any unfunded liability are the responsibility of the Province, nor does the Corporation have any access to any surplus that may arise in this Plan.

16. COMPARATIVE FIGURES

Certain 2012 comparative figures have been reclassified to conform with the financial presentation adopted per current year.

schedule of operating expenses

schedule 1

Year ended March 31, 2013 (in thousands of dollars)

	Budget (Unaudited)	2013	2012
	$	$	$
Business development	3,116	3,416	3,705
Legal and audit	47	73	51
Office	367	469	410
Other	61	61	85
Salaries and benefits	6,935	6,751	7,019
Telecommunications and technical support	362	381	401
Travel	626	737	747
	11,513	11,888	12,418

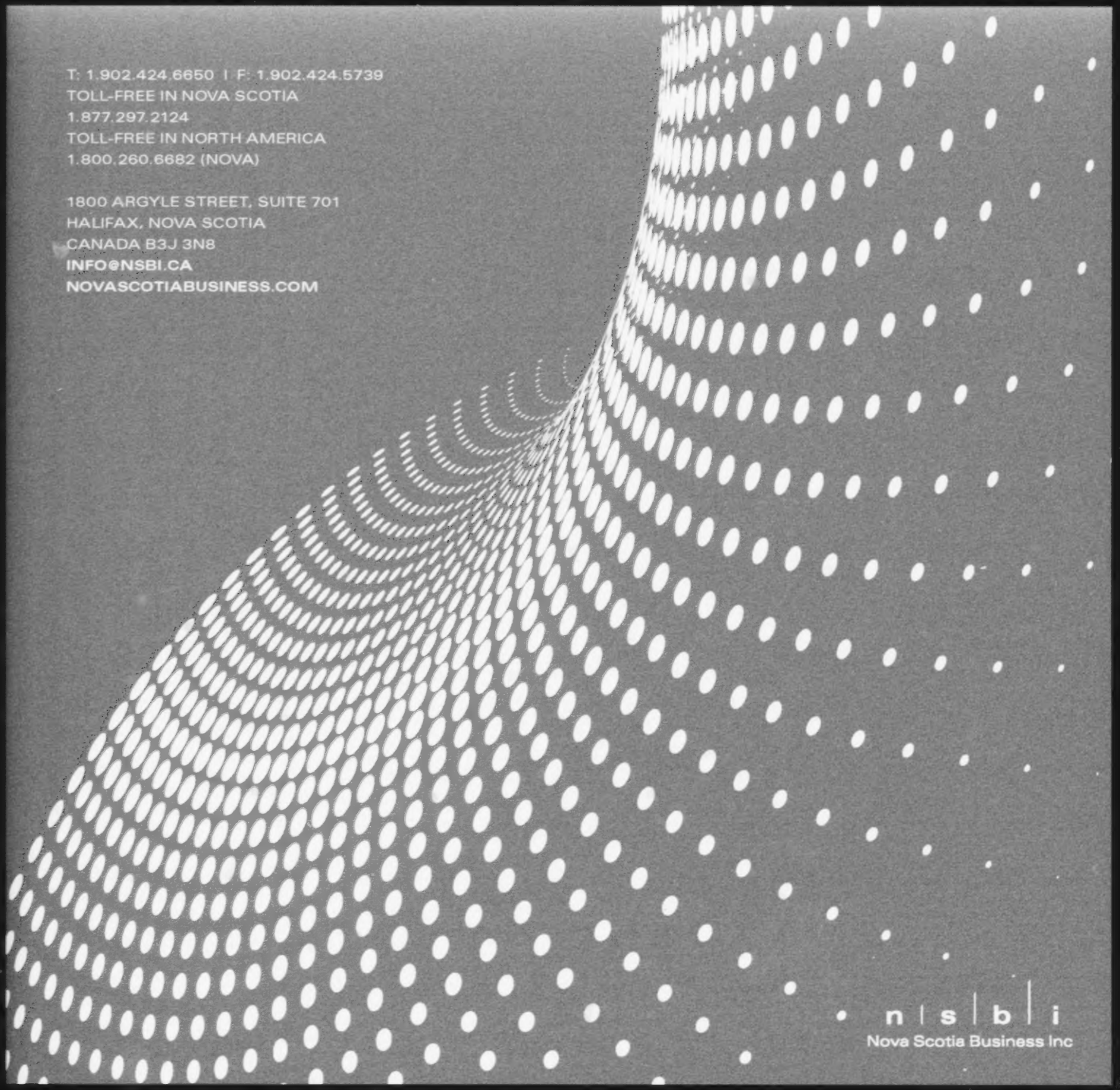
schedule of Nova Scotia business fund expenses

schedule 2

Year ended March 31, 2013 (in thousands of dollars)

	Budget (Unaudited)	2013	2012
	$	$	$
Amortization	67	67	73
Commissions and other fees	10	282	6
Interest	5,559	3,852	5,480
Legal	17	-	-
Repairs, maintenance, salaries and others	792	299	220
	6,444	4,500	5,779

The accompanying notes to the financial statements are an integral part of this financial statement.


T: 1.902.424.6650 | F: 1.902.424.5739
TOLL-FREE IN NOVA SCOTIA
1.877.297.2124
TOLL-FREE IN NORTH AMERICA
1.800.260.6682 (NOVA)
1800 ARGYLE STREET, SUITE 701
HALIFAX, NOVA SCOTIA
CANADA B3J 3N8
INFO@NSBI.CA
NOVASCOTIABUSINESS.COM
n | s | b | i
Nova Scotia Business Inc